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MARKET ADMINISTRATOR

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Resources Move From Milk Production In Response To Changing Price Relationships

Milk-feed price ratios are indicators of profit in terms of production costs, while milk-beef cattle and milk-hog price ratios are indicators of the relative profit by the different livestock enterprises. Beef cattle production, hog production, and milk production use many of the same resources. Shifts due to price relationships among these livestock enterprises have been difficult to ferret out in the last decade because of the underlying trends in each.

In the postwar period, consumption of pork and dairy products has not kept pace with population growth, while the consumption of beef has exceeded it. This has come about because the per capita demand for pork and dairy products has been declining, while the demand for beef has been expanding. As a result, there has been little incentive to shift between dairy and hogs, but rather to shift resources from both these enterprises to production of beef.

The rate at which resources are transferred from one livestock enterprise to another depends not only on the change in the relative price relationships (that is, the manufacturing milk-beef cattle price ratio), but also on how profitable it is to produce the product whose market is expanding. Relative to long-term relationships, beef steer-corn price ratios have been quite favorable in most of the postwar period, encouraging resources to move into the production of beef. Only abrupt changes in the level of beef prices and

extreme price levels — very high or low profits — materially affect the rate of transfer of resources from dairying.

The upturn in milk cow numbers and the substantial rise in milk production in 1953 followed favorable milk prices in 1951 and 1952. Furthermore, the average annual prices received by farmers for beef cattle dropped from \$28.70 in 1951 to \$16.30 per hundredweight in 1953. Beginning from a low of \$14 in December 1956, beef cattle prices rose to \$23 by May 1958, probably inducing the sharper drop in milk cow numbers in 1957, 1958, and 1959. Milk production, after increasing four years, declined in 1957, 1958, and 1959. This decline occurred despite the fact that milk-feed price ratios had been relatively high. Some sliding off of beef cattle prices in late 1959 and 1960 associated with low hog prices in the fall of 1959 slowed the downward trend in milk cow numbers, resulting in an upturn in milk production in 1960.

Hog prices have been below \$12 only during two short periods in the last decade. One of these periods began in the fall of 1955 and the other in the fall of 1959. The hog-corn ratio has been relatively favorable in most of the decade. The ratio has fallen below 12 only in the periods November 1951 to December 1952, and November 1955 to November 1956; the ratio averaged around 12 in the latter half of 1959. In the case of beef cattle,
(continued on back page)

FEWER FARMERS — WITH FEWER COWS — PRODUCING MORE MILK

Farmers have been able to produce more milk with fewer cows. The number of milk cows on farms has declined in every year since 1944, with the exception of 1953. On the other hand, milk production per cow since 1934 has increased in every year, with the exception of three years during World War II, 1942-44. Starting at an annual rate just above 4,00 pounds in 1934, output per cow reached 5,000 pounds in 1947, 6,000 pounds in 1956, and 7,000 pounds in 1960. Among the factors responsible for this persistent progress are improvement in disease control, breeding practices, feeding and management.

Farmers who have continued to produce milk have increased the scale of their operations to take advantage of improvements in technology, to gain access to better markets and to offset the effect of rising costs. A great number of farmers, especially during the last decade, have left dairying. Some have gone into beef production, which uses the same type of farm resources as milk production, because the demand for beef has been increasing. Dairy farms have been gradually getting larger since 1930, but in the most recent five year period for which census data are available, the uptrend has proceeded at a much faster rate. Nevertheless, the average number of cows per farm with milk cows in 1959 was only 9.2. This compares to 6.9 in 1954, 5.8 in 1950, 5.2 in 1940 and 4.6 in 1930.



Columbus

MARKET FACTS FOR EASY REFERENCE

PRICE SUMMARY

Producers' Uniform Price (3.5%)	\$4.44	\$4.49	\$4.28
Producers' Uniform Price (4%)	4.83	4.885	4.66
Class I (3.5%)	4.715	4.74	4.508
Class II (3.5%)	4.315	4.34	4.108
Class III (3.5%)	3.842	4.017	3.742
Class IV (3.5%)	3.095	3.096	2.993
Producer Butterfat Differential for each 1/10%	7.8¢	7.9¢	7.6¢

UTILIZATION SUMMARY

Percent of Producer Milk in Class I	78.4	81.1	80.9
" " " B.F. " " I	72.5	74.3	74.9
" " " Milk " " II	7.9	6.7	7.2
" " " B.F. " " II	2.3	2.0	2.1
" " " Milk " " III	1.5	1.7	2.2
" " " B.F. " " III	2.4	2.1	3.1
" " " Milk " " IV	12.2	10.5	9.7
" " " B.F. " " IV	22.8	21.6	19.9

PRODUCTION SUMMARY

Total Pounds of Producer Milk Delivered	27,302,402	29,526,971	27,057,916
Average Daily Class I Producer Milk	764,420	772,808	754,873
Total Number of Producers	1,482	1,497	1,703
Average Daily Production per Producer	658	636	548
Average Butterfat Test	3.87	3.92	3.93
Total Value of Producer Milk at Test	\$1,289,752.51	\$1,421,019.22	\$1,244,615.52
Income per Producer (7 Day Average)	\$217.57	\$214.35	\$176.41

GROSS CLASS USE (Pounds)

Class I Skim	20,630,520	23,097,255	21,095,114
" I B.F.	767,086	859,785	796,194
" I Milk	21,397,606	23,957,040	21,891,308
" II Skim	2,214,915	2,034,287	1,965,777
" II B.F.	24,420	22,784	22,827
" II Milk	2,239,335	2,057,071	1,988,604

AVERAGE DAILY SALES (Quarts)

Milk	302,336	297,206	305,249
Buttermilk	4,729	4,538	5,188
Chocolate	18,016	16,797	16,690
Skim	12,697	11,867	12,505
Cream	8,557	8,271	8,765

Feb. 1961	Jan. 1961	Feb. 1960
\$4.44	\$4.49	\$4.28
4.83	4.885	4.66
4.715	4.74	4.508
4.315	4.34	4.108
3.842	4.017	3.742
3.095	3.096	2.993
7.8¢	7.9¢	7.6¢
78.4	81.1	80.9
72.5	74.3	74.9
7.9	6.7	7.2
2.3	2.0	2.1
1.5	1.7	2.2
2.4	2.1	3.1
12.2	10.5	9.7
22.8	21.6	19.9
27,302,402	29,526,971	27,057,916
764,420	772,808	754,873
1,482	1,497	1,703
658	636	548
3.87	3.92	3.93
\$1,289,752.51	\$1,421,019.22	\$1,244,615.52
\$217.57	\$214.35	\$176.41
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4,729	4,538	5,188
18,016	16,797	16,690
12,697	11,867	12,505
8,557	8,271	8,765

COMPARATIVE STATISTICS



COLUMBUS MARKETING AREA



Jan., 1952-61

Year	Receipts from Producers	Average Butterfat Test	Percentage of Producer Milk in Each Class				Uniform Producer Price (3.5%)	Class prices at 3.5%				Number of Producers	Daily Average Production
			Class I	Class II	Class III	Class IV		Class I	Class II	Class III	Class IV		
1952.....	16,151,739	4.07	83.6	14.7	1.7	—	5.37	5.454	5.054	4.278	—	2,103	265
1953.....	18,732,785	4.03	76.5	15.2	8.3	—	4.50	4.662	4.262	3.586	—	2,228	300
1954.....	21,690,415	3.96	71.0	13.0	16.0	—	4.13	4.34	3.94	3.46	—	2,238	346
1955.....	21,417,170	3.94	77.1	8.1	7.1	7.7	4.02	4.23	3.83	3.83	3.154	2,132	359
1956.....	23,832,175	3.89	75.7	9.8	6.9	7.6	3.91	4.094	3.694	3.694	3.118	2,074	396
1957.....	21,646,895	3.80	85.7	8.7	2.9	2.7	4.44	4.529	4.129	4.029	3.063	1,921	402
1958.....	22,305,961	3.86	83.9	9.6	3.1	3.4	4.38	4.504	4.104	4.003	3.082	1,844	432
1959.....	21,909,063	3.85	86.4	10.7	.8	2.1	4.34	4.44	4.04	3.94	2.869	1,689	463
1960.....	27,057,916	3.93	80.9	7.2	2.2	9.7	4.28	4.508	4.108	3.742	2.993	1,703	548
1961.....	27,302,402	3.87	78.4	7.9	1.5	12.2	4.44	4.715	4.315	3.842	3.095	1,482	658

USDA Increases Dairy Support Prices

Secretary of Agriculture Orville L. Freeman announced that, effective immediately and extending through the next marketing year which begins April 1, 1961, prices to producers for milk and butterfat will be supported at \$3.40 a hundredweight of manufacturing milk and 60.4 cents a pound of butterfat.

These prices are about 83 percent of the parity equivalent price for manufacturing milk and about 81 percent of parity for butterfat, based on the latest parity data.

The support prices are increased from \$3.22 for manufacturing milk and 59.6 cents for butterfat in farm-separated cream in effect since last September 17.

In announcing the new dairy support program, Secretary Freeman stated:

"The increased support prices will result in a much-needed improvement in dairy farmers' incomes.

"The Eisenhower budget for 1961-62

provided for support prices of \$3.06 per hundred pounds for manufacturing milk and 56.6 cents per pound for butterfat. The increases announced today amount to \$0.34 per hundredweight for manufacturing milk and 3.8 cents per pound for butterfat.

"All dairy farmers will benefit from these higher price levels — those who supply milk for consumption in fluid form as well as farmers whose milk is manufactured into other dairy products.

"I intend to consult closely with dairy farmers and to give them the full assistance of the Department of Agriculture in devising improved programs that will assure more efficient marketing and adequate farm income as well as an adequate supply."

Commodity Credit Corporation's buying prices per pound for cheese and nonfat dry milk produced on and after March 10, 1961 will be 36.1 cents for cheese,

and 15.9 cents for spray and 13.9 cents for roller nonfat dry milk. These are increases of 1.85 cents for cheese and 2 cents for nonfat dry milk above the prices in effect for products produced since last September 17. Buying prices for cheese and nonfat dry milk produced before the date of this announcement will not be changed. CCC's buying prices for butter will continue unchanged. Based on last year's experience this buying price for butter is expected to support butterfat in farm-separated cream at slightly above the support level in effect since last September 17.

The new support price of \$3.40 per hundredweight for manufacturing milk is for milk of the national yearly average butterfat test, which last year approximated 3.83 percent. (A corresponding price for manufacturing milk of 3.5 percent butterfat test would be \$3.11 per hundredweight. Many plants pay on the basis of 3.5 butterfat test for milk.)

January First Animal Inventories Hint at Slowdown In Cow Numbers

The number of milk cattle for breeding and replacement purposes on farms at the beginning of the year provides another clue as to what the average number of milk cows might be in 1961. January 1 inventories of cows and heifers two years old and over have drifted lower since 1945 in every year, except in 1953 and 1954. Upturns, when they have occurred over the last 20 years, have always

been preceded by a build-up in the number of heifers 1 to 2 years old on farms.

At the beginning of this year the number of heifers in this age category per 100 cows and heifers two years old and older was substantially above average. Furthermore, the number of heifer calves, in relation to cows and heifers, was also at a comparatively high level. Since most heifer calves kept by farmers eventually enter milking herds two years later, it

appears likely that the number of young stock, added to the nation's total number of milk cows, may be relatively high in 1961 and 1962. Of course, cows and heifers added are only half of the dairy cow numbers picture; the other half is the number of animals eliminated from herds during the year, which will be largely determined by prospective and actual changes in beef cattle prices.

Manufacturing Milk Prices Boosted

By Higher Cheese Prices In 1960

Farmers received higher prices for milk used in making American cheese in 1960 than in 1959. Some of the effects of the increased demand for milk in this outlet were transmitted to the other sectors of the manufacturing milk market. As a result, the average price for milk of manufacturing grade in 1960 at \$3.26 per hundred-weight was 2.8 percent higher than a year earlier, although the price of milkfat in farm-separated cream showed little change from the year before. Prices received by farmers for milk at wholesale in 1960 averaged 1 percent over the \$4.15 per hundredweight the year before. Through March prices for milk will be higher than in 1960; thereafter, the level of price supports to be announced before April 1 will be an important determinant of price.

An increase in the demand for milk for making American cheese followed higher wholesale and retail prices for American cheese. Prices for American Cheddars at

Wisconsin assembling points averaged 36.4 cents per pound, 3.2 cents per pound higher than in 1959, and the highest level since 1953. On the other hand, average wholesale butter prices in Chicago dropped to 59.1 cents per pound in 1960—.7 cent lower than in 1959.

Cheese factories became especially active bidders for available milk supplies after the flush production season, when processing and marketing margins widened considerably. The price for milk used for cheese increased relatively more than the price for milk used in making butter, and there was a substantial increase in the flow

of milk to cheese factories relative to deliveries to butter-powder plants. Cheese production in the last half of 1960 was 11 percent greater than in 1959, while butter production in the same period was up only 3 percent.

Resources Move . . .

(continued from front page)

the beef steer-corn price ratio has been unfavorable only once in the last decade—in 1953-54. This year beef prices are expected to remain relatively stable, while hog prices may be below a year earlier levels this summer and fall. Milk-feed price relationships, which have been favorable to producers in the last five years, are expected to continue favorable in 1961.

Market Quotations

February
1961

12 MIDWEST CONDENSERIES 3.5% per Cwt.	\$3.240
5 CONDENSERIES (Cincinnati) 3.5% per Cwt. Estimated	2.96
4 CONDENSERIES (Tri-State) 3.5% per Cwt.	3.000
Evaporated Milk Code Price, 3.5% per Cwt.	2.887
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Cincinnati)	3.1735
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Columbus)	3.145
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Dayton)	3.169
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Toledo)	3.043
Skim Milk Powder-Butter Price, 3.5% per Cwt. (Tri-State, North Central O.)	3.043
Average Weekly Cheddars price per lb.33938
Average price per lb. non-fat dry milk solids, roller process delivered Chicago1380
Average price per lb. 92-score butter at Chicago60460
Average carlot prices non-fat dry milk solids, roller and spray process, f.o.b. manufacturing plant1318

SKIM MILK FOR ANIMAL FEED

Production of dry skim milk for animal feed totaled 23 million pounds in 1960, down 3 percent from the preceding year but up 10 percent from average. The 2.0 million pounds produced during December were 15 percent above output of a year earlier and 35 percent above the 1954-58 December average.

THE Market Administrator's BULLETIN

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